

# 2005 AMD Analyst Day

**Bob Rivet**  
**Executive Vice President &**  
**Chief Financial Officer**

**November 15, 2005**

# Agenda

**Data Presented is “AMD Prime” = AMD Consolidated less Spansion**

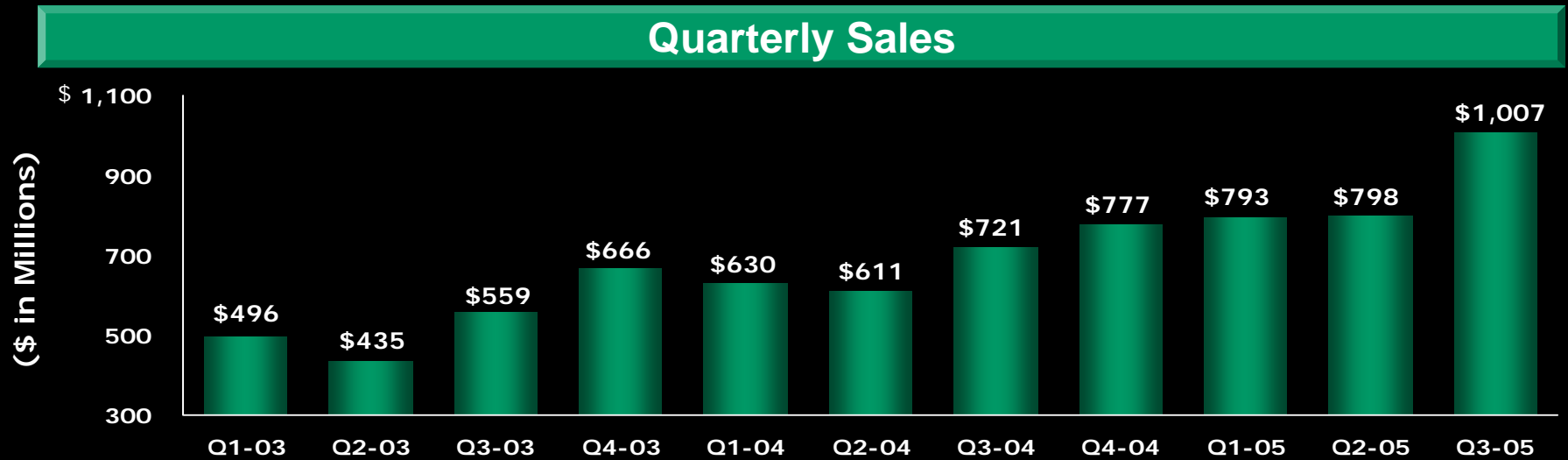
**AMD Has Become a Growth Engine!**

- Financial Momentum
- Improving Balance Sheet

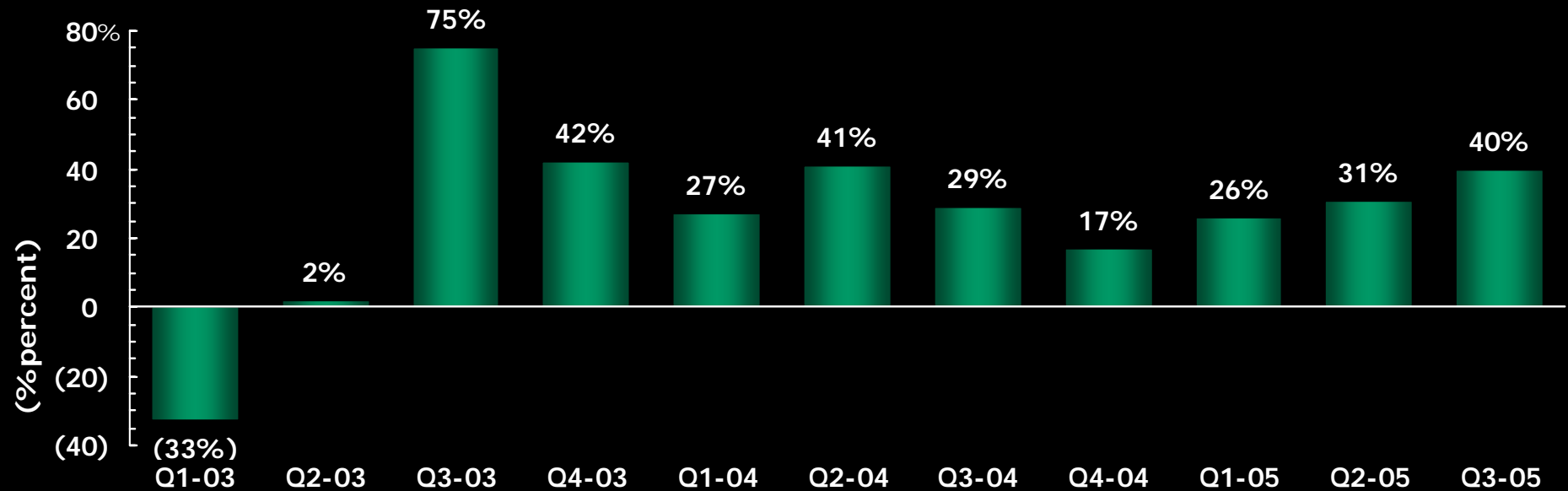
**And is Well Positioned to Support Future Growth!**

- Manufacturing Update
- Financial Guidance

# Improvement in AMD Prime Quarterly Sales and Operating Income (Loss) Since Q103

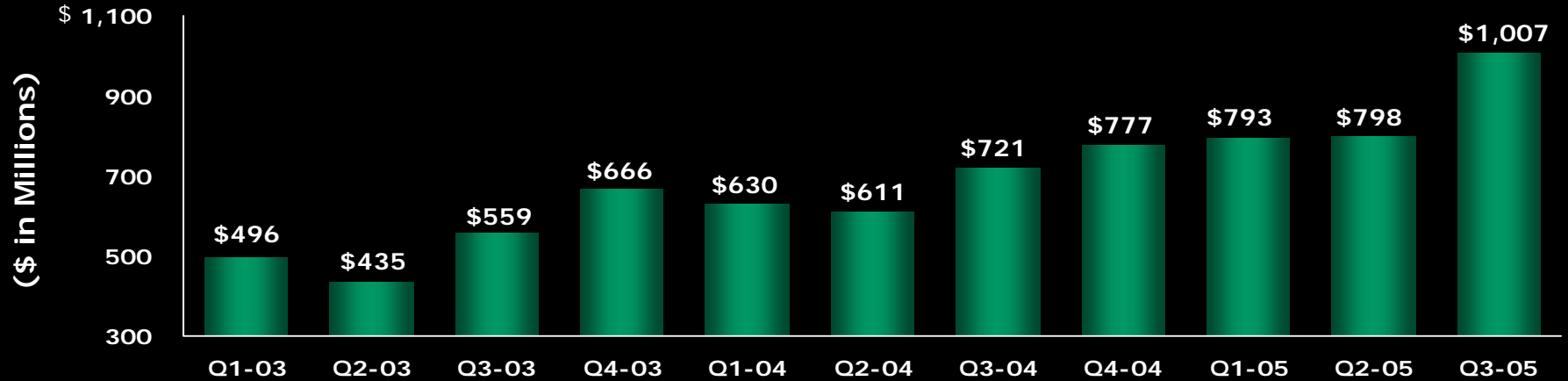


# AMD Prime Year Over Year Quarterly Sales Growth is Accelerating



# Improvement in AMD Prime Quarterly Sales and Operating Income (Loss) Since Q103

## Quarterly Sales

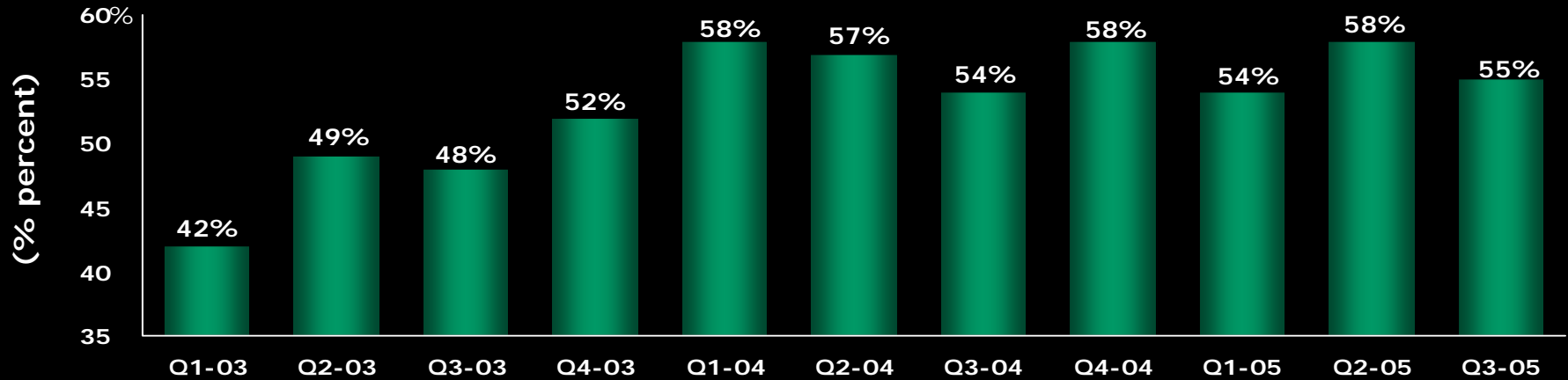


## Quarterly Operating Income (Loss)

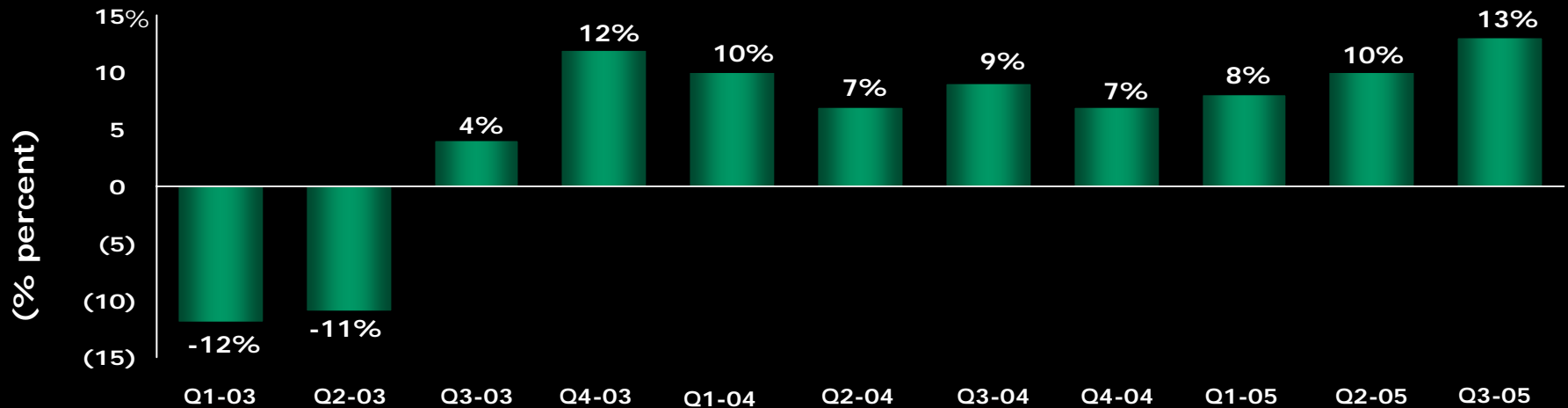


# AMD Prime Quarterly Gross Margin and Operating Income (Loss)

## Gross Margin % of Sales

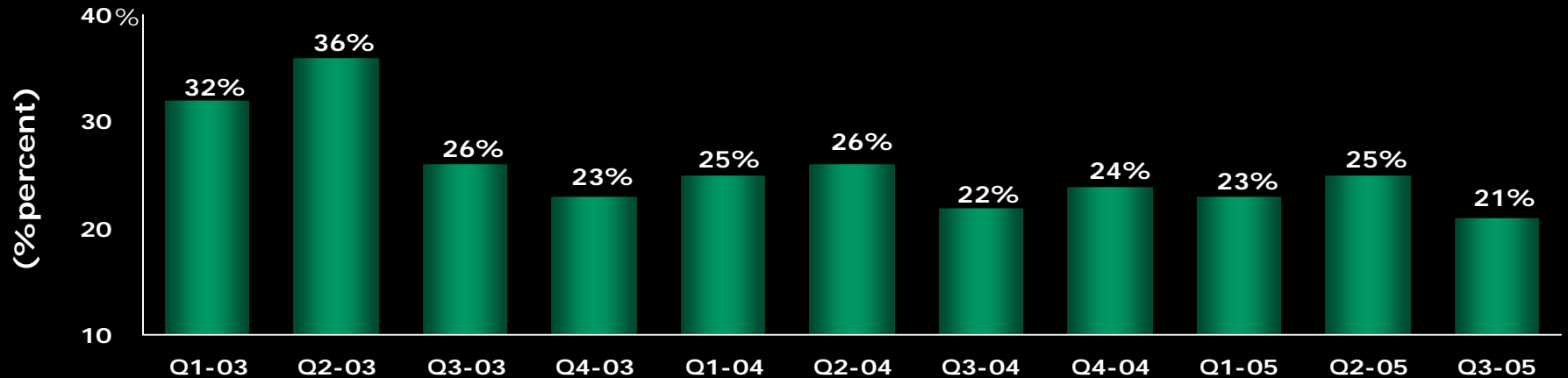


## Quarterly Operating Income (Loss) % of Sales

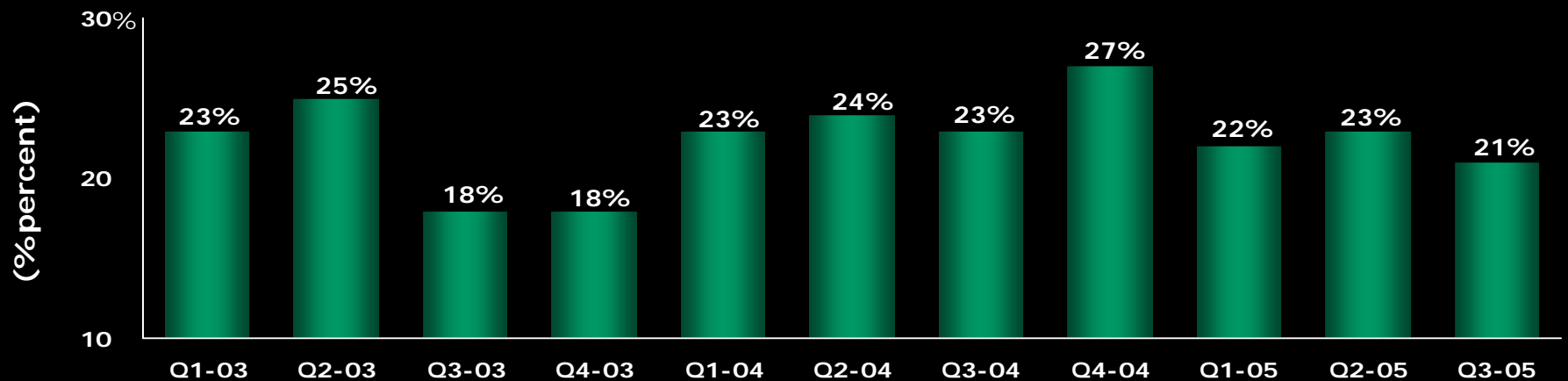


# AMD Prime Quarterly R&D and MG&A as a % of Sales

## Research & Development (R&D) % of Sales



## Marketing, General & Admin w/ Restructuring (MG&A+R) % of Sales



## Balance Sheet Accomplishments Since November 2004 AMD Analyst Day

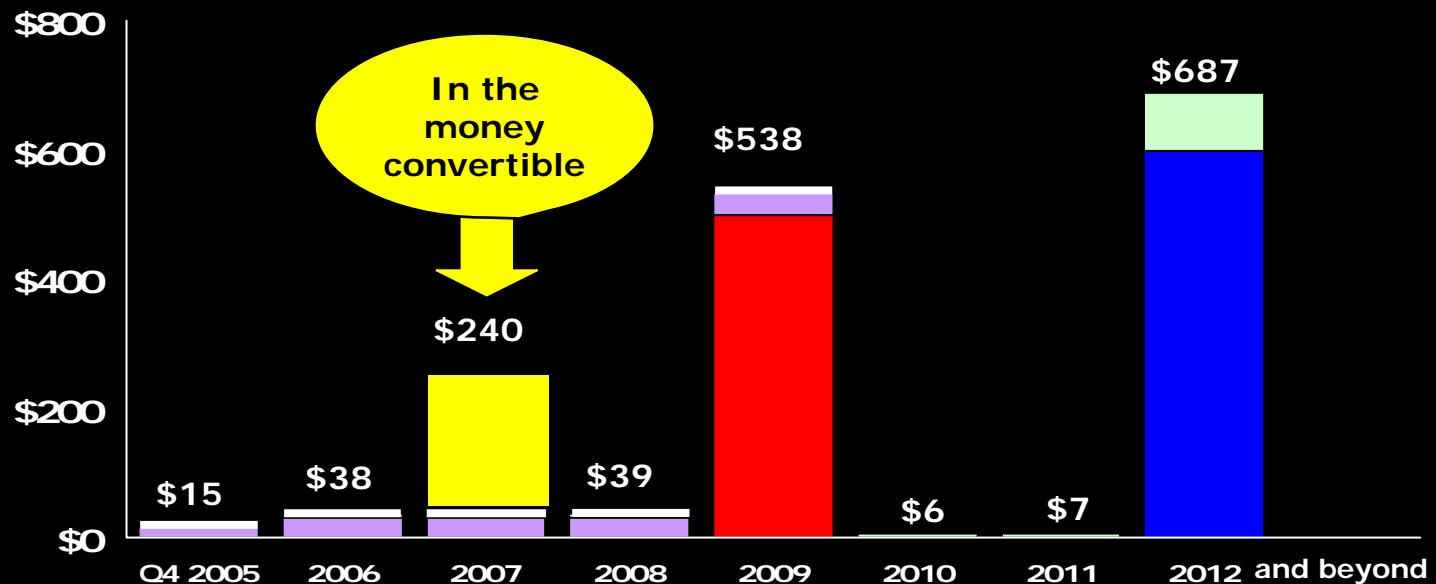
- AMD exchanged \$201.5M of our 4.50% convertible senior notes in 2004
- Prepaid Fab 30 loan of \$619M with proceeds from \$600M unsecured High Yield offering due 2012
- Financed building of Fab 36 with operating cash flow, partner contributions and subsidies



# Key Balance Sheet Data – AMD Prime

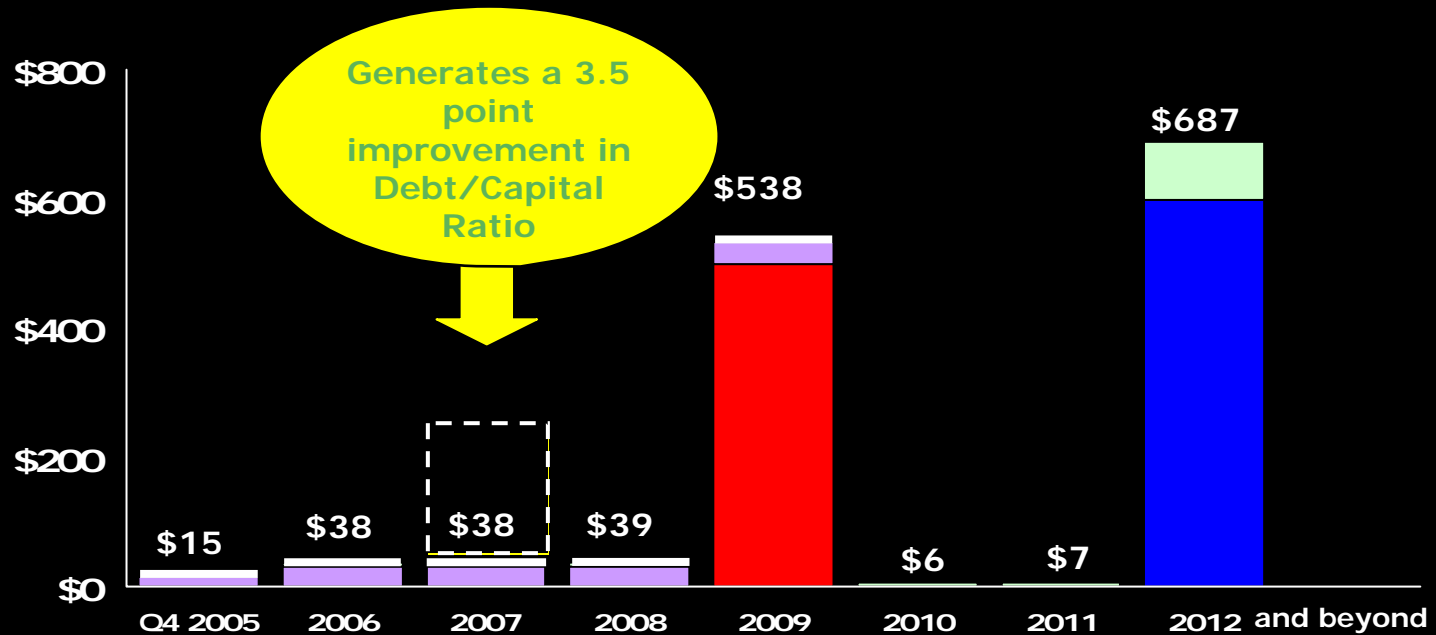
	<u>Q403</u>	<u>Q404</u>	<u>Q305</u>
<b>Cash including ST Investments</b>	<b>984</b>	<b>999</b>	<b>1,223</b>
<b>Accounts Receivable, net</b>	<b>383</b>	<b>564</b>	<b>684</b>
<b>Inventory</b>	<b>255</b>	<b>414</b>	<b>450</b>
<b>Net PP&amp;E</b>	<b>1,942</b>	<b>2,373</b>	<b>2,635</b>
<b>Accounts Payable</b>	<b>242</b>	<b>441</b>	<b>613</b>
<b>Total Debt</b> (Short & Long Term Capital Leases)	<b>1,567</b>	<b>1,431</b>	<b>1,569</b>
<b>Days of Sales Outstanding</b>	<b>52</b>	<b>66</b>	<b>62</b>
<b>Days of Inventory</b>	<b>73</b>	<b>127</b>	<b>107</b>
<b>Days Payable</b>	<b>79</b>	<b>135</b>	<b>146</b>
<b>Cash Conversion Cycle</b>	<b>46</b>	<b>58</b>	<b>23</b>

# AMD Prime Debt Amortization Schedule



- 7.75% Senior Notes
- 4.75% Convert
- 4.50% Convert
- Fab 36 Silent Partnership Contributions
- Fab 36 Energy Leases

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- Fab 36 Silent Partnership Contributions
- Fab 36 Energy Leases

# Manufacturing Update



# AMD Fab 36: AMD's New Flagship Fab

Expected to be the most advanced 300mm fab in the world when completed

Based on the superior manufacturing performance of AMD in Dresden

Planned for 65nm, 45nm and 32nm technology generations

Planned investment until 2007: ~\$2.5 Billion

November 2003: Groundbreaking

November 2004: Ready for equipment

March 2005: First wafer started

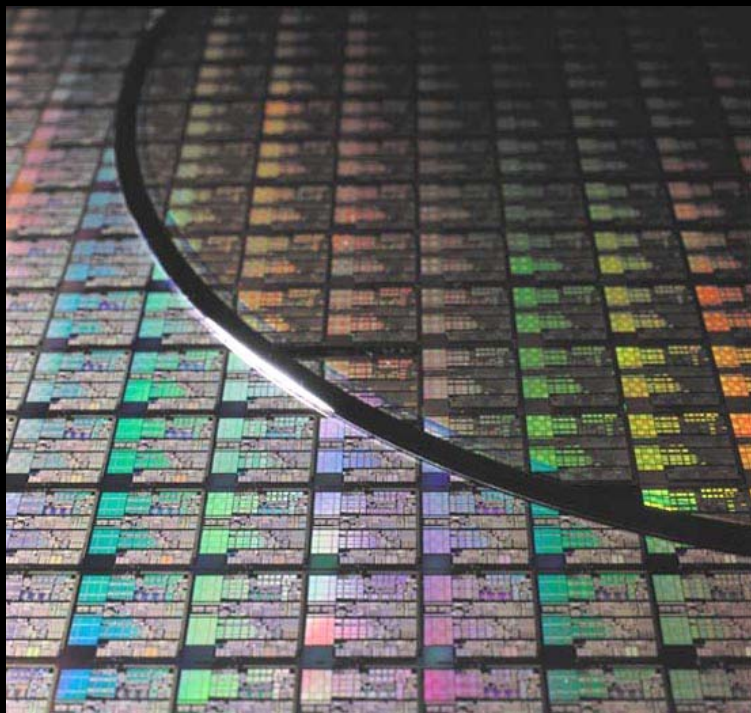
October 2005: Grand Opening

**Now: Wafer production starts**

2d-half 2006: 65nm volume production



# Chartered Agreement



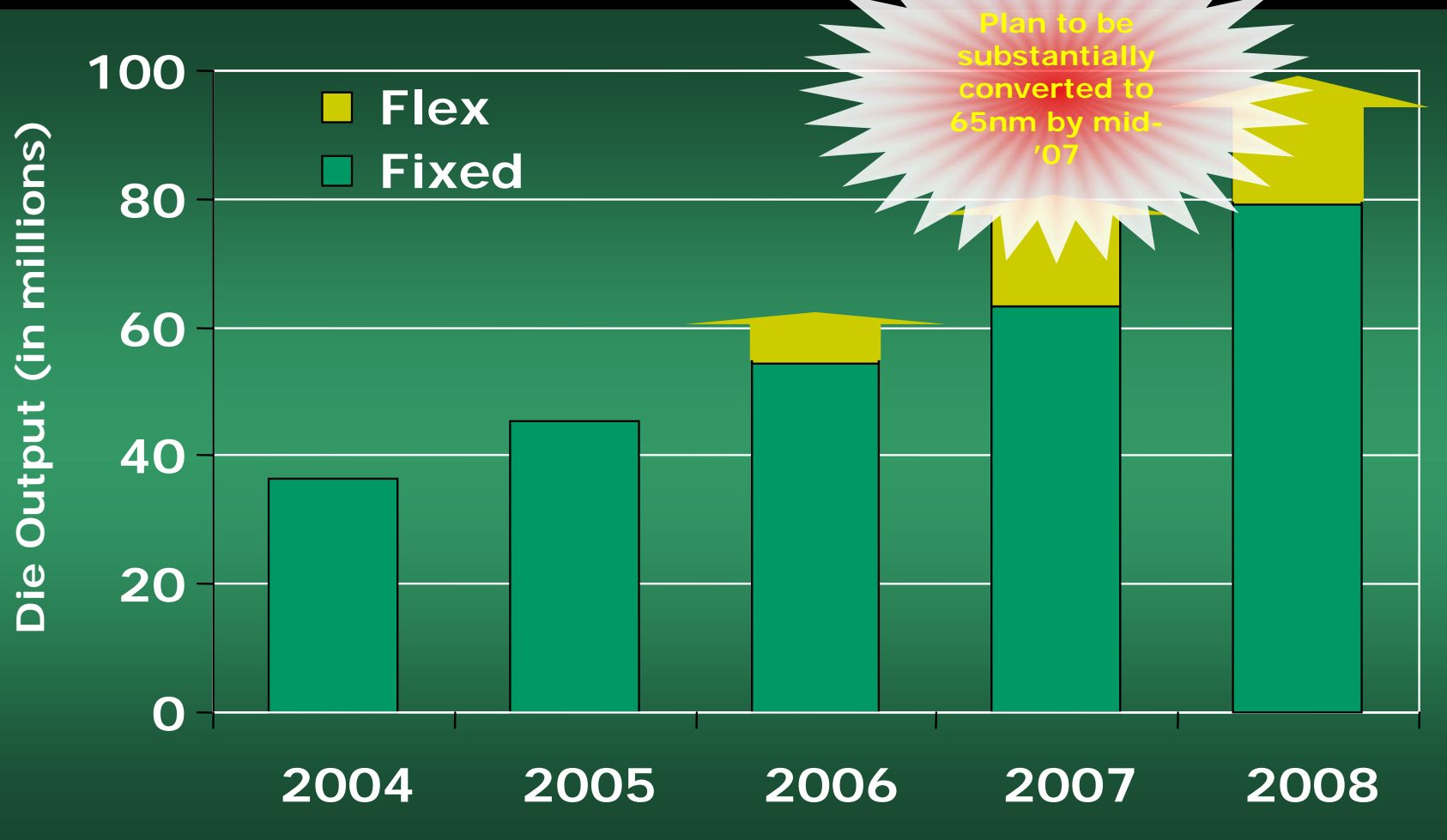
**Manufacture of AMD64 microprocessors at Chartered planned to begin in 2006**

**Operational flexibility — ability to add manufacturing capacity as needed**

**Implementation of APM at Chartered Fab7 is underway and progressing on schedule**



# Executing for Maximum Advantage



# Guidance





## Long-term Target Model: AMD Prime

	<u>Q303</u>	<u>Q304</u>	<u>Q305</u>	<b>Targets</b>
<b>Revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Gross margin</b>	<b>48%</b>	<b>54%</b>	<b>55%</b>	<b>51-57%</b>
<b>R&amp;D</b>	<b>26%</b>	<b>22%</b>	<b>21%</b>	<b>18-23%</b>
<b>MG&amp;A</b>	<b>19%</b>	<b>23%</b>	<b>21%</b>	<b>12-16%</b>
<b>Restructuring</b>	<b>-1%</b>	<b>0%</b>	<b>0%</b>	
<b>Operating Income</b>	<b>4%</b>	<b>9%</b>	<b>13%</b>	<b>18-24%</b>

## Long-term Balance Sheet Objectives: AMD Prime

	Q403	Q404	Q305	Targets
S&P Credit Rating (AMD Inc.)	B-	B-	B2 stable	Inv. Grade
Debt/Capital Ratio (AMD Inc.)	40%	33%	35%	~ 20%
Cash/ST Investments	\$1.Bn	\$1.Bn	\$1.2Bn	~ \$1Bn Min.
DSO's	52	66	62	40 -45
Cash Conversion Cycle*	46	58	23	50 - 60

\* CCC = DSO + DIO (Days of Inventory) – DPO (Days of Payable)



# 2006 Guidance

## Industry\*

- Industry unit demand, ~10%
  - Mobile grows ~2X industry rate
  - Server grows at industry rate
  - Desktop growth rate is ~half industry growth rate
- Demand in high growth markets remains strong, and outpaces industry growth rate
- Microsoft® Vista initial shipments in 2d-half 2006, helps drive increased demand for 64-bit.

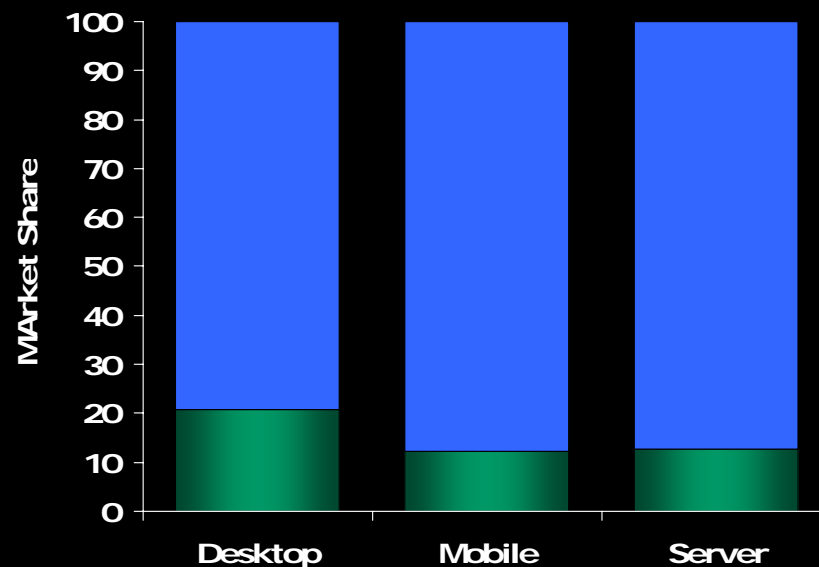
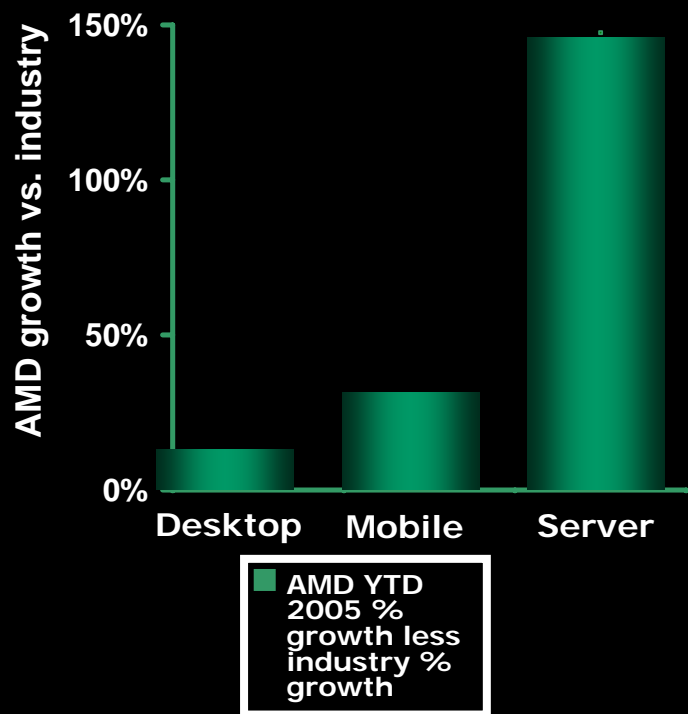
\*Company estimates

# 2006 Guidance

## AMD Prime

- Microprocessor units grow ~2X industry, significant market share gains
- Continue taking share in high growth markets
- Increased ASP driven by improved mix of AMD Opteron™, AMD Turion™ 64 processors and commercial client sales
- AMD's commercial client market share increases

# Growth Opportunities



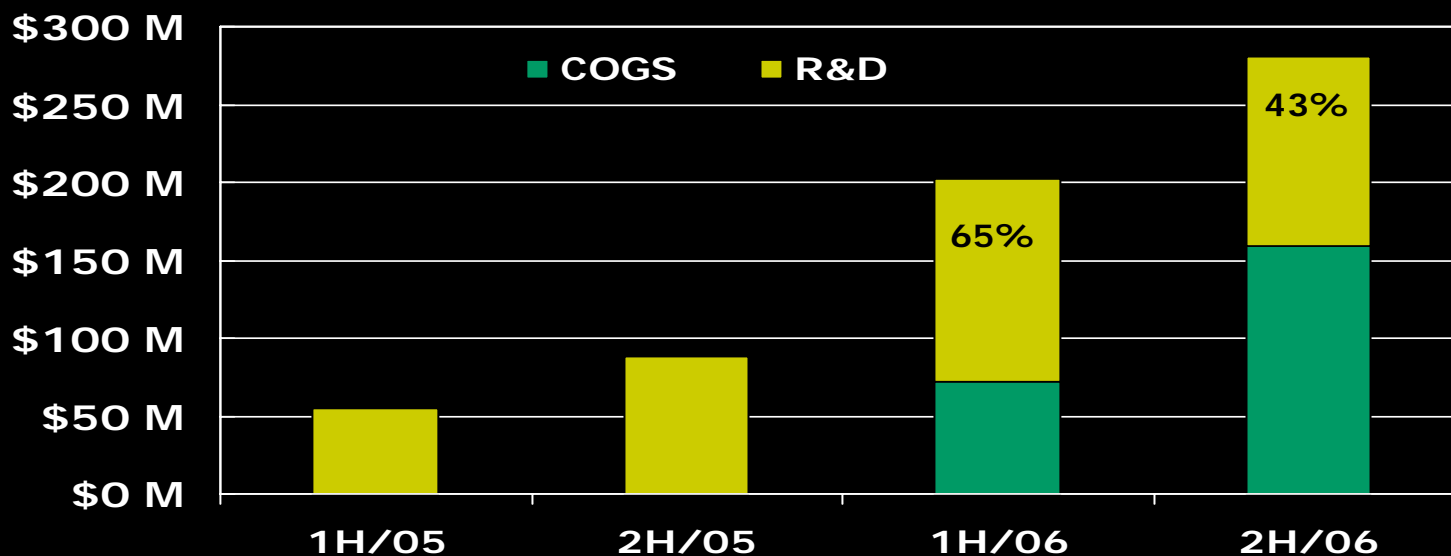
Source: Mercury Research, Q3-2005

# 2006 Outlook – AMD Prime

## Current Plan for 2006 Assumes the Following:

- Gross Margin for the year is anticipated to remain in our target range (51%-57%)
  - Mix improvement (AMD Opteron™ processors, AMD Turion™64 processors, Commercial clients) off-setting net incremental depreciation of \$150M.

### Fab 36 Costs



# 2006 Outlook- AMD Prime

## Current Plan for 2006 Assumes the Following:

- Total \$ operating expenses (excluding options expense) will be up, but as a % of sales will be down a few points.
  - Total \$ R&D expenses and as a % of sales will be up, reflecting continued Fab36 investments and new design teams
  - Total \$ MG&A expenses will be up, but as a % of sales will be down.
- CAPEX expected to be \$1.4B
- Operating profit and EPS expected to increase significantly.
- Tax rate expected to be within the 10-15% Range.
- Options expense for 2006 is anticipated to be in the \$55-60 million range at a \$25 stock price

## Free Cash Flow – AMD Prime

(\$ Billions)	2006 E.	2007 E.
Cash Provided by Operating Activities	\$0.9	\$1.3
Less Capital Investments	\$1.4	\$1.2
Free Cash Flow	(\$0.5)	\$0.1
Add Proceeds from:		
• Fab 36 Grants and Subsidies	\$0.1	\$0.1
• Fab 36 Term Loan	\$0.8	\$0.0
Adjusted Free Cash Flow Including Loan	\$0.4	\$0.1



# Summary

- Growth Engine!
- Progressing to our long-term targets
- De-levering the balance sheet and maintaining sufficient liquidity
- Consistent profitability
- Very Well Positioned Going Forward

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